

October 7, 2010

Honorable Mayor and City Councilors
City of Ankeny
410 W. First Street
Ankeny, Iowa 50023

SUBJECT: 2011-2015 Capital Improvements Program Workshop Number 1, October 11, 2010

Dear Mayor Van Oort and Council Members:

Several critical success factors influence how well the City of Ankeny can innovate to meet the challenges ahead; one of the most important is a smart, forward looking and integrated infrastructure program. The focus is on three core missions in this citizen-centric program:

- Provide a healthy, pleasant and safe living environment for Ankeny residents
- Strengthen economic vitality, demand, and competitiveness, and
- Sustain a pattern of funding infrastructure investments—buildings, roads, utilities, waterways, and quality of life.

Ankeny has been proactive in our response to changing demographics and the current economic slowdown. We now use a process to prepare the capital improvements program which supports achievement of the City Council's vision and strategy. Key to this strategy is the council's recognition of investment in infrastructure as a source of sustained competitive advantage for Ankeny.

Continuing to meet the growing needs of our community is made more difficult by the many financial constraints facing many cities, including Ankeny, for the foreseeable future. Previous efforts to develop a long-term strategy and prioritize short-term goals have helped to achieve sustained prosperity. That is to say Ankeny has been deliberate, tactical, and paid special attention to its fiscal responsibilities. Still, we have arrived at a time when we face significant challenges and threats to our ongoing efforts of competitiveness and economic growth.

Unquestionably, continued investment in effective and efficient infrastructure is a key factor supporting our core mission. Up until now, the City's infrastructure strategy has taken a holistic view of the community, determined where and when to invest, articulated key objectives and helped define schedules. This framework for strategic infrastructure investment respects two key realities: the city has to perform on an array of prioritized goals, and the city has limited resources. The question is how to leverage these realities successfully as we navigate this new political and economic landscape.

Although a shift in thinking about our new realities is prudent it is also critical to maintain the annual capital improvement process for the purpose of developing a five-year capital improvement plan (CIP). The five-year capital improvement plan being developed from this year's capital improvement process is for calendar years 2011-2015. The CIP process is intended to provide a format for departments to submit projects to the City Manager and to the City Council while providing an objective means for reviewing and ranking capital projects. The first year of the capital improvement program will be included as part of the budget submitted for Council approval in March 2011. The first year of the program also determines the amount of bond anticipation notes and other debt instruments that will be issued over the upcoming year.

Just like last year, there is discussion about “the new normal”. In the same way cities have different visions and priorities for achieving their objectives; I submitted the idea that Ankeny’s new normal is familiar; one where city leaders chart a course that continues to provide sustainable prosperity for its residents. Of course, we must optimize the use of limited resources, identify investments having the greatest impact, and secure our ability to emerge from the Great Recession, poised to take advantage of the inevitable economic upswing, and maintain our position as one of Iowa’s leading communities. Our new normal now includes extending the CIP from five years to ten years. A ten-year capital improvements program, which includes a five-year plan, provides a more accurate representation of city infrastructure planning. We are well-positioned to take advantage of a very competitive infrastructure bidding environment, making large-scale infrastructure projects more cost-effective.

Work on the 2011-2015 CIP has progressed on schedule to a point where information about projects brought forward and unchanged from the 2010-2014 CIP, projects brought forward and updated from the 2010-2014 CIP, and projects new to the CIP are now ready for presentation to Council. Notable observations about the 2011-2015 CIP include:

1. Traditional support from federal and state governments for construction of new infrastructure or reconstruction of existing infrastructure has waned, and greater sums of local resources are necessary to finance local infrastructure investments.
2. The severe winter of 2009-2010 placed unpredictable demands on Ankeny’s transportation infrastructure requiring extensive repair work. Funds appropriated for Annual Programs projects were reprioritized; spending authority was transferred from park development and park land acquisition to street maintenance for the three-year period 2010-2012.
3. 2010-2014 CIP projects were moved forward one year and then reevaluated. The only major project added in the proposed 2011-2015 CIP is the Crosswinds Business Park RISE project.
4. Relocation of large capital projects, such as the East 1st Street Interchange and NE 18th Street Bridge projects, to later in the ten year planning window. These changes are as a result of item #1 discussed above and the lack of local funding capacity to support these projects.

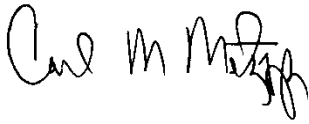
The annual CIP program update starts this month with a review of the overall capital program, goals, and prioritizing capital improvements, continues next month to establish a capital financing strategy, which involves major decisions and long-term commitments responsive to the purposes of limiting the cost of providing capital infrastructure and equipment while meeting the community’s needs; ensures financial strength and flexibility in the future; strengthens Ankeny’s standing with the bond rating agencies, bond buyers, regulators, and the local community, and; culminates in November 2010 with Council’s adoption of the 2011-2015 CIP document.

A number of revisions made during the last three-year period to materials used in the preparation of the draft CIP program carry over to the process this year. Overall, the changes focus attention on additions to or modifications from the prior year CIP. To help Council identify these changes new projects appear in blue and updated projects modified from last year appear in tan. Those capital projects approved last year, but unchanged, appear in the normal white background. Another change used last year is used again this year—the grouping of projects by category. This method of presentation with like projects grouped together for easier study, helps reduce the amount of time required to analyze the draft program. Finally, policy guidance on the development of the 2011-2015 CIP is provided in Section 6 of the Budget Policy Statement, first approved by Council in September 2008.

The meeting next Monday is intended to introduce modifications to the current CIP and begin the process of receiving Council feedback on the draft plan. Once input is received from Council then the draft capital finance plan is scheduled for presentation on October 25, 2010. City Council approval of the new CIP is scheduled to occur in November. With this action next year's capital expenditures and debt issues are finalized and ready to be included in the City's final budget for the upcoming year.

I am pleased to forward for your review the attached set of draft CIP information including appendices, plan maps, individual project sheets, and summaries of projects by year and by category. I look forward to our discussions regarding projects, timing, financing, and determining the scope of the 2011-2015 capital program.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read "Carl M. Metzger". The signature is fluid and cursive, with the first name "Carl" being the most prominent.

Carl M. Metzger
City Manager

INTRODUCTION

Capital Improvements Program (CIP)

The Capital Improvements Program (CIP) serves as an effective guide for the efficient and effective provision of public facilities, outlining timing and financing schedules of capital and infrastructure projects for a ten-year planning period, five-year forecast period, and for the next fiscal year capital budget.

The CIP identifies capital needs, establishes priorities, and identifies potential funding sources. Key sources of identifying capital requirements include the Ankeny Plan as well as professional studies of facilities, transportation, utilities, and drainage needs.

The CIP neither appropriates funds nor authorizes projects. The city council must act to initiate each project. Proceedings to initiate capital improvements are presented when sources of funding are available.

The capital budget is a significant part of the 2011-2012 Budget. It represents costs associated with capital projects in the first year of the 2011-2015 Capital Improvements Program.

Such projects may include land acquisitions, the construction and acquisition of new buildings, additions to or renovations of existing buildings, construction or reconstruction of street and utility infrastructure, and major equipment purchases. Because of the size and magnitude of these projects, bond funds are a major source of financing for projects including utility projects.

Annually, staff performs a systematic evaluation of capital project requirements, updates the adopted Capital Improvements Program document, incorporates recommended changes, and submits the revised program to the city council for consideration, modification, and adoption as a part of the annual budget process.

During the preparation and review of the recommended Capital Improvements Program, city management staff employed experience-based judgment to identify which projects can be accomplished within a given year, within the limit of the City's control. As would be expected, project expenditure and revenue estimates for the earlier years are more precise than the latter years.

Numerous sources are drawn upon to develop the expenditures included within this document including plans and/or studies completed or currently in process (See Appendix 1).

Capital Improvement Program Goals

- City Council Goals 2015. Five goals adopted by the Ankeny City Council in 2007 provide policy guidance for the evaluation of capital improvement projects. City of Ankeny Goals 2015 include:
 1. Maintain a Financially Sound City Providing Valued Services
 2. Develop a Vibrant Prairie Trail
 3. Develop Ankeny as a Regional Business Center
 4. Improve Mobility and Infrastructure
 5. Manage Growth and Revitalization

Capital Improvement Program projects scheduled for completion during each year for the next five-year period are summarized in Appendix 2, 3 & 4.

- Ankeny Plan. In addition to Goals 2015 the Ankeny Plan serves as the basis for many of the City's policy decisions related to a wide range of issues. Decisions related to capital projects also are tied to the Ankeny Plan. Comprehensive Plan goals related to the 2011-2015 Capital Improvements Program include:
 1. Provide infrastructure investments that correspond to the community's growth potential.
 2. Ensure that development within Ankeny and on Ankeny's periphery demonstrates environmental responsibility and adheres to the City's long-term growth goals.
 3. Assure the transportation system is adequate to meet future needs.
 4. Encourage the development of an interconnected system of parks, trails, and civic parkways and maintain a high level of service for recreational facilities as new neighborhoods emerge.

Process

The annual capital improvement process is a process created for the purpose of developing a ten-year plan and a five-year capital improvement program. The five-year capital improvement process is for calendar years 2011-2015. The CIP process is intended to provide a format for departments to submit projects to the City Manager and to the City Council while providing an objective means for reviewing and ranking capital projects. The first year of the capital improvement program will be included as part of the budget submitted for Council approval next March. The first year of the program also determines the amount of bond anticipation notes and other debt instruments that will be issued over the upcoming year.

The capital improvement process includes a submittal form that gathers information about capital projects including information on the department, the project type and purpose, funding sources, underlying City studies, and reasons for the project's timing. These factors will be combined with other factors such as relevance to City Council goals, method of financing, and whether or not it is new or replacement work. Evaluation criteria will be applied to the relevant factors which will provide each project with a score that will be used to rank and prioritize each project.

Since the debt for the upcoming year's projects will be issued next spring and these projects will also become part of the adopted budget, the emphasis in the capital improvement process will be on the upcoming year's capital program. The projects for the remaining four years of the program will become part of the City's long-term financial plan and five-year capital improvement plan, and will not have debt issued for them until future years. These projects are still an important part of the capital improvements program as they help shape the debt issues and debt service levy into the future.

Synopsis

The Capital Improvements Program for 2011-2015 totals \$134,817,029. Of this total 25.6% is for transportation projects, 3.6% is for parks and trails, 34.3% is for municipal utility and drainage projects, 24.9% is identified for Crosswinds and Prairie Trail, including public facilities and land, and 8.9% for annual infrastructure reinvestment. New and updated projects are summarized in Appendix 2.

Capital Budget requirements for 2011 total approximately \$41 million. Capital spending authorizations by year/project/category contained in Appendix 3, for the upcoming year, include:

▪ Annual	\$3,656,000
▪ Prairie Trail	\$5,016,380
▪ Crosswinds	\$5,200,000
▪ Transportation	\$10,517,000
▪ Water/Sewer	\$8,270,500
▪ Parks/Recreation	\$1,475,000
▪ Public Safety	\$1,100,000
▪ Drainage	\$5,807,600

This program represents a concerted effort to ensure that needed capital projects and infrastructure are in place in a timely manner to accommodate continued growth and development in the community. Staff has worked to mitigate the impact that debt service requirements would have on the annual property tax levy by careful review of the need for the projects, timing of these projects, and by making several policy recommendations for funding, described in other sections of this document.

Program Overview

The capital improvement program provides an organized timeline and objective grading criteria for the purpose of scheduling capital projects and planning long-term debt. The annual program calendar starts in October and culminates in late 2010 so that next year's capital expenditures and debt issues are finalized and ready to be included in the City's final budget for the upcoming year.

As a part of the process, capital projects are individually submitted on forms by each department. The projects are then evaluated based on the information provided on the forms. The following criteria are used for evaluating capital projects:

- Meets Legal Mandates
- Removes or Reduces Hazards
- Advances a Council Goal
- Improves Efficiency
- Maintains Standard of Service
- Supports Economic Development
- Improves Service
- Facilitates New Services
- Improves the Quality of Life or Aesthetic Values
- Offers Convenience

These urgency-of-need criteria are used as general guidelines that point to rather than determine priorities among capital project requests. In evaluation the urgency of need, affordability is given strong consideration.

Once the projects are evaluated using the above criteria, they will then be ordered based upon their fund source and project year. Project summaries and order will then be reviewed by the City Manager and organized for presentation to the City Council.

Program Calendar

October 11, 2010

City Council CIP budget workshop. City Council and City Manager review capital budget process overview, capital planning, project ranking/priority list for Calendar Year 2011, and incorporation of Council policy preferences.

October 25, 2010

City Council CIP budget workshop to review financial plan and debt service requirements for draft 2011-2015 CIP. Discuss 2011 BAN/Bond Issues.

November 15, 2010

City Council adopts 2011-2015 Capital Improvements Program.

March 7, 2011

Following public hearing, City Council FY 2012 Budget adopted, including Debt Service Fund appropriation and 2011 capital project expenditures.

City Council CIP Policies

The following is the Capital Improvements Program Section of the Budget Policy Statement approved by the City Council on September 15, 2008.

- **Projects**—Evaluate all requests for capital improvement projects using the following criteria:
 - a. Source of funding including availability of additional revenue
 - b. Total project cost (design and development) and schedule for completion
 - c. Life of asset
 - d. Benefits to the city including but not limited to the affect on future operating and maintenance costs, economy, services, public health and safety, the environment, segment of population to be affected, and special considerations.
 - e. Alternatives considered
 - f. Consequences of not funding or deferral
 - g. Evaluation of citizen input
 - h. Impact on strategic plan for the city.

- Cost Estimates—Revise cost estimates after completion of design.
- Design—Design facilities using current technology in order to be efficient and cost effective, protect the public welfare and minimize adverse effects on the environment.
- Multi-Year Projects—Annually evaluate multi-year capital projects.
- Priorities—Give priority to replacement or repair of existing assets.
- Plan Maintenance—Prepare and update annually a capital improvement plan including construction and purchases of city assets.
- Non-Construction Expenses—Limit interest, operating, administrative and/or maintenance expenses capitalized for capital projects to those expenses incurred prior to actual operation of the facility.
- Offices—Consolidate offices into fewer buildings and move from leased to owned facilities as much as possible.
- Long-Term Financing—Long-term borrowing shall be limited to capital improvement projects that cannot be financed from current revenues and to capital equipment with a useful life of 20 years or greater and a purchase cost of \$250,000 or greater. Other policies governing long-term debt include:
 - a. Finance capital projects for a period not to exceed the expected useful life of the project.
 - b. Maintain good communication with rating agencies and provide required disclosure on every financial report and bond prospectus.
 - c. Prohibit debt or bond financing from being used to support current operating expenditures.
 - d. Total debt outstanding, including overlapping debt, will be considered when planning additional debt issuance.
 - e. The City's share of utility projects, including City cost of over-sizing of water, sewer and storm sewer mains, should be financed with utility funds and other revenue sources when funds are appropriate and available.
 - f. The use of general obligation bonds for projects does not dismiss the potential pro-rata payment for debt service by specifically benefitted funds such as water, sewer, drainage, or road use.
 - g. Financing requirements will be reviewed annually. The timing for financing will be based upon the City's needs for funds, market conditions and debt management policies.